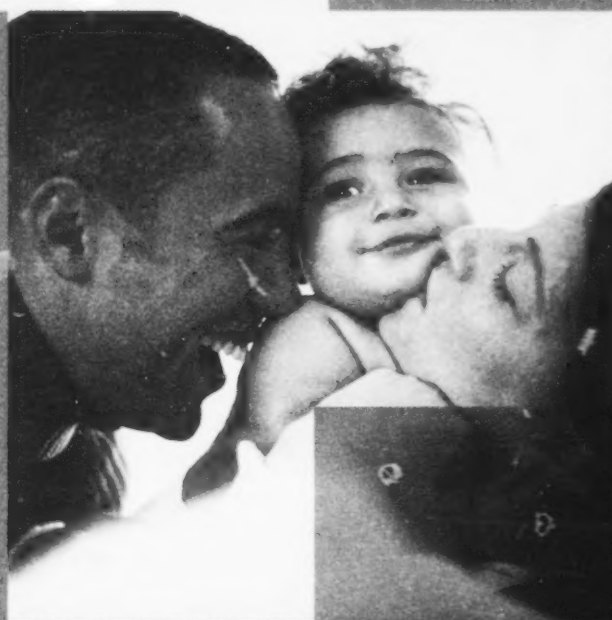


2004-2005
Budget

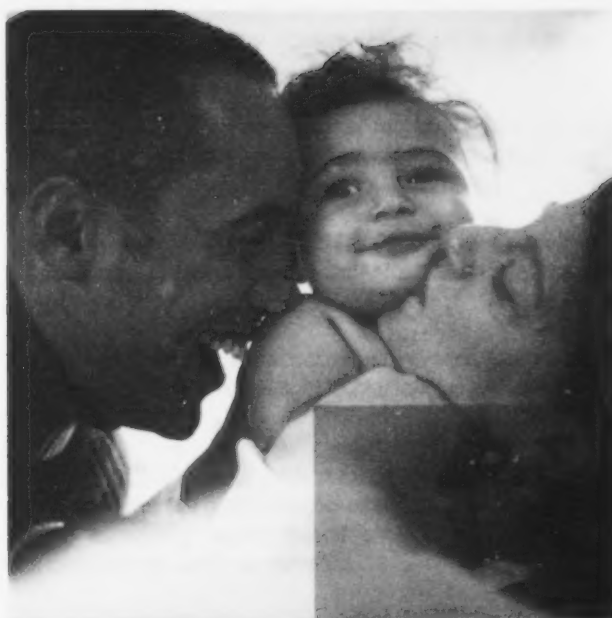
Reducing Income Tax



Québec 

2004-2005
Budget

Reducing Income Tax



2004-2005 Budget
Reducing Income Tax

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Word from the Minister of Finance

With the **2004-2005 Budget Speech**, the government is reducing the income tax paid by Quebecers by an initial \$1 billion: the first step in delivering on one of the major promises made to citizens.

This tax cut is being made with very clear priorities: the reduction will first benefit those most in need, namely, families and low-income workers. At the same time, it will simplify the current tax system.

Thus, over half of the tax reduction will benefit families with children through the introduction of a new **Child Assistance** measure. We are also introducing a new **Work Premium** aimed at low and middle-income workers, which will be of special benefit to families.

However, we wanted all taxpayers to benefit from the tax reduction. This will be achieved through the tax relief accompanying the introduction of a **single tax system** to simplify taxation.

This paper details the measures announced in the **2004-2005 Budget Speech** to reduce personal income tax. It also includes an assessment of the impact these measures will have on households.

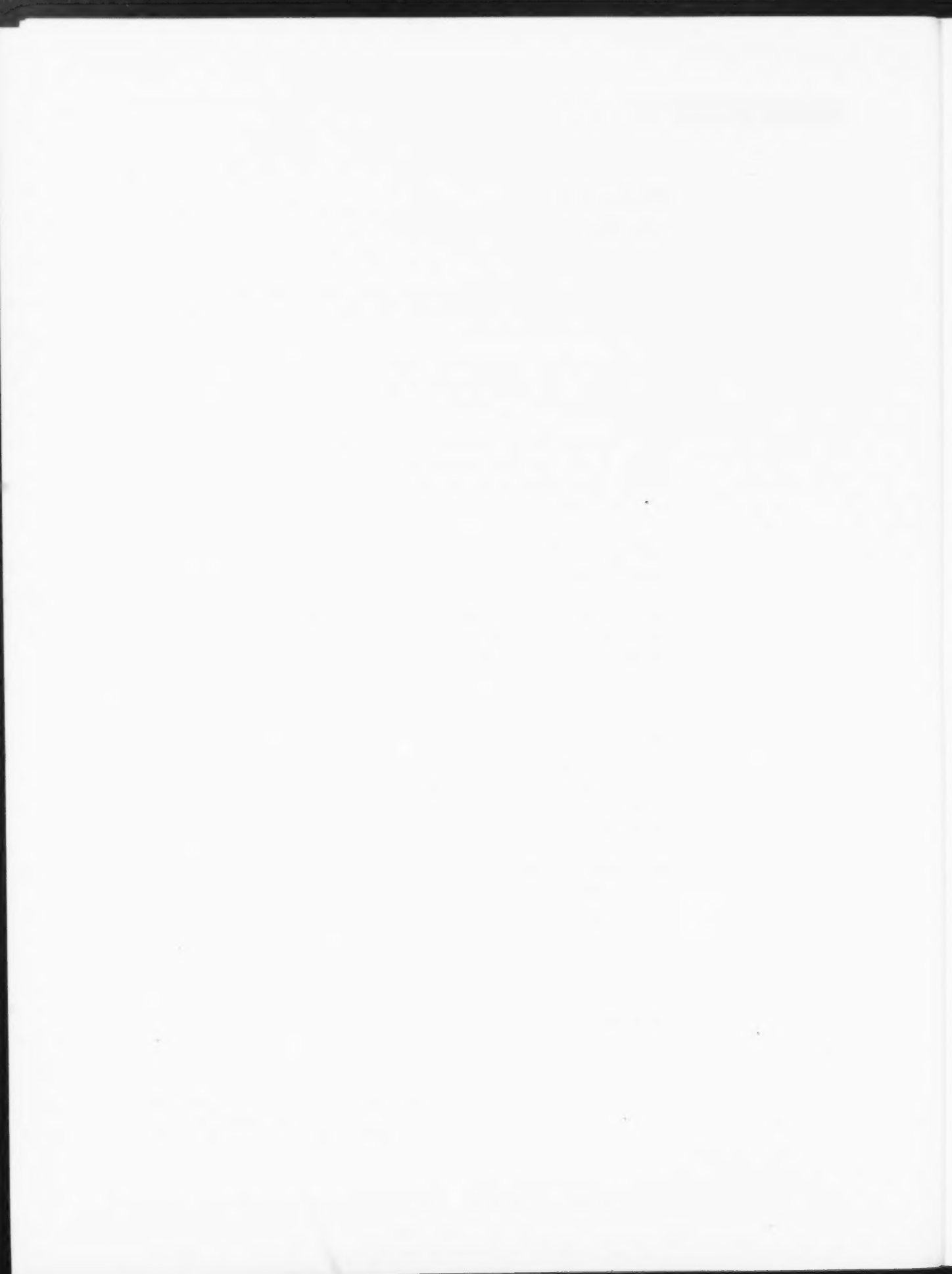
This impact will be significant. The \$1-billion tax reduction will increase Quebecers' disposable income. Families and low- and middle-income households will see their disposable income increase substantially.

The personal income tax reforms make our tax system fairer, more equitable and simpler. In implementing these reforms, the government is significantly improving the support provided to families, stimulating labour market entry and re-entry and making the tax system less cumbersome and less complex.

We are thereby affirming our wish to reduce income tax so that Quebecers no longer have the highest tax burden in North America.

We will succeed in this endeavour, while maintaining the priorities close to our heart.

YVES SÉGUIN



With the 2004-2005 Budget Speech, the government is taking the first step toward reducing personal income tax. The tax cut will benefit all taxpayers, but give priority to families and low- and middle-income workers.

Initial tax cut of \$1 billion starting in January 2005

The tax reduction decided on by the government flows from the following three measures:

- The government is significantly improving the direct support provided to families by introducing a new **Child Assistance** measure. This measure represents a tax reduction of **\$547 million** over a full year.
- The government is bolstering the assistance provided to low- and middle-income workers by creating a **Work Premium** that corresponds to a tax break of **\$243 million** over a full year.
- The government is implementing a **single personal income tax system**. This simplification of the tax system is accompanied by a **\$219-million** tax reduction over a full year.

Together, the three reforms in the 2004-2005 Budget Speech will reduce personal income tax by **\$1 009 million** in 2005.

AMOUNT OF THE INCOME TAX REDUCTION
(millions of dollars)

	2005
1) Child Assistance	547
2) Work Premium	243
3) Single personal income tax system	219
Total	1 009

Child Assistance

The Child Assistance measure will replace and improve the existing measures. It will come into effect on January 1, 2005.

The assistance will be universal, more generous for low- and middle-income families, more substantial for the first child and higher for large families. An additional amount will be granted to single-parent families.

A couple with children will receive assistance of up to \$2 000 in the case of a family with one child, \$3 000 for a family with two children, \$4 000 for a family with three children and \$5 500 for a family with four children. The assistance will be paid at the start of each quarter.

New Work Premium

The existing Parental Wage Assistance (PWA) program is being replaced with a Work Premium that will come into effect on January 1, 2005.

This new Work Premium is aimed at low- and middle-income workers. It will be higher for families and of special benefit to young parents. The premium can be paid in advance to families.

The premium will increase the employment income of a couple with children by 25%, up to a maximum premium of \$2 800 for an employment income of \$14 800.

The Work Premium will benefit roughly 536 000 low- and middle-income households, including 200 000 families with children.

The Work Premium will provide a greater incentive to work and help people get off social assistance.

Impact of the first two measures on household income

Child Assistance and the Work Premium will significantly improve the situation of low- and middle-income households.

In 2005, their disposable income will increase by:

- \$2 807 for a single-parent family with two children (employment income of \$20 000);
- \$4 004 for a couple with two children (employment income of \$25 000);
- \$928 for a couple with two children (employment income of \$40 000).

The two measures will put more money in the pockets of families and strengthen the fight against poverty.

Establishment of a single tax system

A single tax system that replaces the general and simplified systems will be implemented as of the 2005 taxation year.

This simplification measure is accompanied by an income tax reduction that will benefit more than 2.5 million households. The reduction will mean an average tax cut of \$87 per household.

Overall impact on household disposable income

The measures announced in the 2004-2005 Budget Speech will result in substantial financial gains for households. Over 3.1 million households, including nearly one million families, will get a tax break.

The disposable income of families with children will increase by an average of \$791 per year and by as much as \$2 139 for families earning between \$15 000 and \$25 000.

TAX REDUCTION BY HOUSEHOLD INCOME BRACKET – 2005

	Families			Households without children			Total households		
	Number ('000)	Millions of dollars	\$ per household	Number ('000)	Millions of dollars	\$ per household	Number ('000)	Millions of dollars	\$ per household
\$15 000 or less	136	164	1 204	336	80	238	472	244	517
\$15 000 to \$25 000	78	167	2 139	328	22	66	407	189	465
\$25 000 to \$50 000	217	236	1 088	680	53	78	897	289	323
\$50 000 to \$75 000	206	107	519	382	33	87	588	140	239
\$75 000 to \$100 000	151	66	435	195	20	102	346	86	248
Over \$100 000	191	35	182	202	25	126	392	60	153
Total	980	775	791	2 122	234	110	3 102	1 009	325

Note: Amounts have been rounded off.

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INTRODUCTION

With the 2004-2005 Budget Speech, the government is taking the first step toward reducing personal income tax. This reduction will benefit all taxpayers, but give priority to families and low- and middle-income workers.

This paper details the measures chosen to reduce personal income tax. It also includes an assessment of the impact these measures will have on disposable household income.

The paper is divided into five sections:

- Section 1 presents the **amount of the tax reduction** determined by the government.
- Section 2 is devoted to the **Child Assistance** measure introduced in this Budget.
- Section 3 describes the **Work Premium** being implemented to benefit low- and middle-income workers.
- Section 4 explains the **single tax system** being established by the government and the accompanying tax relief.
- Section 5 discusses the **overall impact** of the tax reduction on **household income**.

1. INITIAL TAX CUT OF \$1 BILLION FOR QUEBECERS

With the 2004-2005 Budget Speech, the government is announcing an income tax reduction of **\$1 billion** over a full year.

This tax cut ensues from the following three measures:

- The government is significantly improving the direct support provided to families by introducing a new **Child Assistance** measure. This assistance represents a tax break of **\$547 million** over a full year and will start being paid in **January 2005**.
- The government is bolstering the assistance provided to low-and middle-income workers by introducing a **Work Premium**. This measure represents a tax break of **\$243 million** over a full year. Targeted workers will start benefiting from this measure in **January 2005**.
- As of the **2005 taxation year**, the government is implementing a **single personal income tax system**.¹ This simplification of the tax system is accompanied by a **\$219 million**-tax reduction over a full year.

Together, the three reforms in the 2004-2005 Budget Speech will reduce personal income tax by **\$1 009 million** in 2005.

TABLE 1

AMOUNT OF THE TAX REDUCTION
(millions of dollars)

	2005
1) Child Assistance	547
2) Work Premium	243
3) Single personal income tax system	219
Total	1 009

¹ The changes to the personal income tax system are described in detail in Section 1.4 of the document *Additional Information on the Budgetary Measures*.

Impact on the financial framework

The financial impact of the tax reduction will be:

- \$323 million in 2004-2005;
- \$1 130 million in 2005-2006;
- \$1 009 million in 2006-2007.

The tax relief granted by the government is worth **\$2.5 billion** over the next three fiscal years.

TABLE 2

IMPACT OF THE TAX REDUCTION ON THE GOVERNMENT'S FINANCIAL FRAMEWORK
(millions of dollars)

	2004-2005	2005-2006	2006-2007	Total over 3 years
1) Child Assistance	-306	-975	-547	-1 828
2) Work Premium	-17	-115	-243	-375
3) Single personal income tax system	-	-40	-219	-259
Total	-323	-1 130	-1 009	-2 462

2. NEARLY \$550 MILLION IN CHILD ASSISTANCE

2.1 CHILD ASSISTANCE

The 2004-2005 Budget Speech announces a reform of the direct support provided to families through the introduction of a **Child Assistance** measure on January 1, 2005. This measure will replace and enhance the following three measures:

- Québec family allowance;
- the non-refundable tax credit for children;
- the tax reduction for families.

Child Assistance will be paid in the form of a cheque and defined as a refundable tax credit in the *Taxation Act*. The assistance will be applied against revenue from personal income tax in the government's financial results.

The new system represents a \$2 034-million tax reduction in 2005. Taking into account the programs it replaces, the Child Assistance measure will result in a net tax cut of **\$547 million** in 2005.

TABLE 3

**TAX RELIEF RESULTING FROM THE
REFORM OF FAMILY SUPPORT MEASURES**
(millions of dollars)

	2005
New system	
Child Assistance	1 976
Tax credit for an adult child who is a student ¹	58
Subtotal	2 034
Current system	
Family allowance	-475
Non-refundable tax credit for children ²	-692
Tax reduction for families	-320
Subtotal	-1 487
Tax relief	547

1 The tax credit for an adult child who is a student amounts to \$553 for the first child and \$510 for each subsequent child.

2 Including the non-refundable tax credit respecting children of a single-parent family.

Characteristics of the Child Assistance measure

The new Child Assistance measure is:

- **Universal:** the assistance is offered to all families, regardless of income.
- **More generous for low- and middle-income families:** the maximum amount paid for a first child is \$2 000. The minimum amount is \$553.
- **More substantial for the first child:** the amount of assistance for the first child, i.e. the one that generally costs families the most, is \$2 000. The maximum amount for the second and third children is \$1 000.
- **Higher for large families:** an additional amount of \$1 500 is granted for the fourth child and each subsequent child.
- An additional \$700, which will be reduced on the basis of income, is granted to **single-parent families**.
- **The assistance is paid at the start of each quarter.**

Amount of the tax assistance

The Child Assistance measure represents substantial support for families.

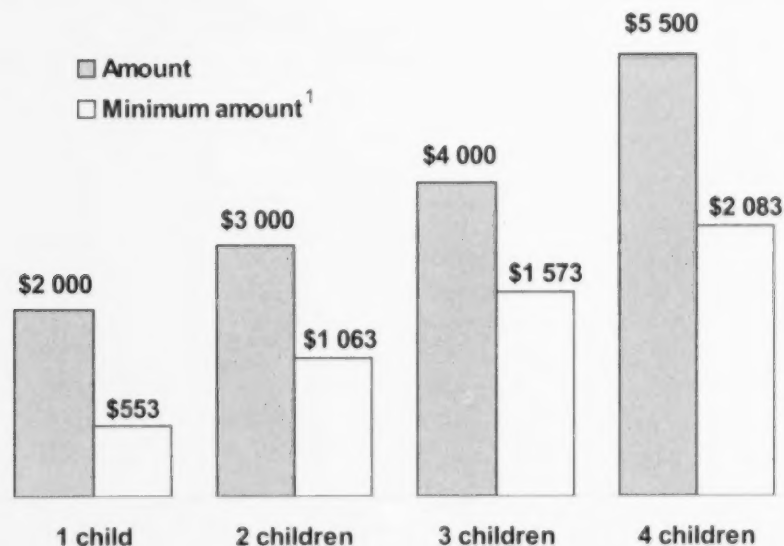
A couple with children can receive up to:

- \$2 000 for a family with one child;
- \$3 000 for a family with two children;
- \$4 000 for a family with three children;
- \$5 500 for a family with four children.²

In the case of a single-parent family, an additional \$700 will be added to the amount granted to a couple.

The Child Assistance amount is reduced in part on the basis of income. The minimum assistance will be \$553 for a family with one child and \$1 063 for a family with two children.

CHART 1

**CHILD ASSISTANCE AMOUNT
COUPLE WITH CHILDREN – 2005**


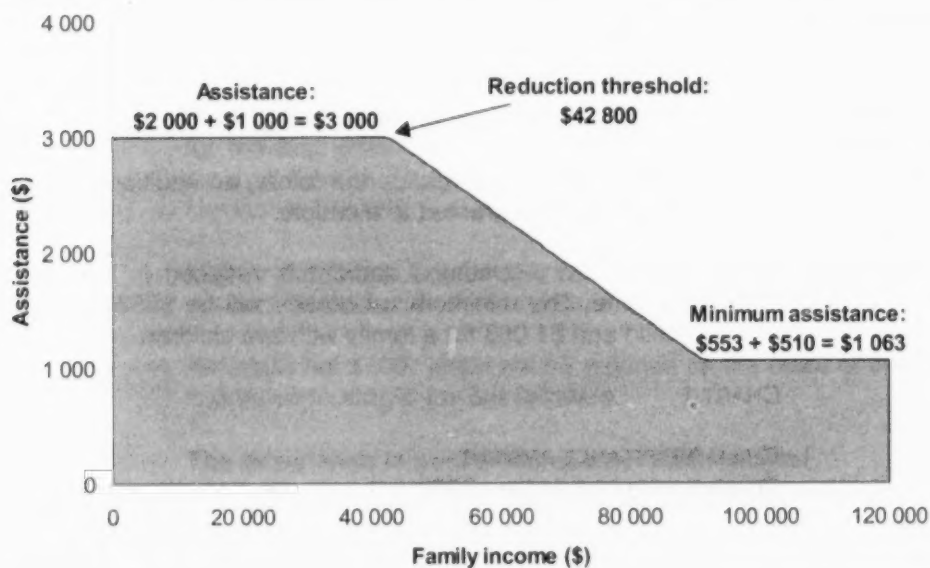
¹ Amount in 2005 before indexation. The rate of indexation for 2005 will be known in October 2004.

² The amount increases by \$1 500 for each subsequent child.

The following chart shows the assistance granted to a couple with two children based on family income. The \$3 000 received in Child Assistance is partially reduced as of an income of \$42 800.³

CHART 2

**CHILD ASSISTANCE AMOUNT BY FAMILY INCOME
COUPLE WITH TWO CHILDREN – 2005**



³ The Child Assistance amount for a couple with two children and an income of \$50 000 is calculated as follows:
Amount = \$3 000 - (\$50 000 - \$42 800) x 4% = \$2 712.

MAIN PARAMETERS OF THE CHILD ASSISTANCE MEASURE - 2005
 (dollars)

Parameters	Amount
Assistance	
– 1st child	2 000
– 2nd child	1 000
– 3rd child	1 000
– 4th child and subsequent children	1 500
– single-parent family	700
Reduction threshold¹	
– couple	42 800
– single-parent family	31 600
Reduction rate	4%
Minimum assistance²	
– 1st child	553
– 2nd child and subsequent children	510
– single-parent family	276

1 Family income.

2 These amounts will be indexed on January 1, 2005.

Quarterly payments

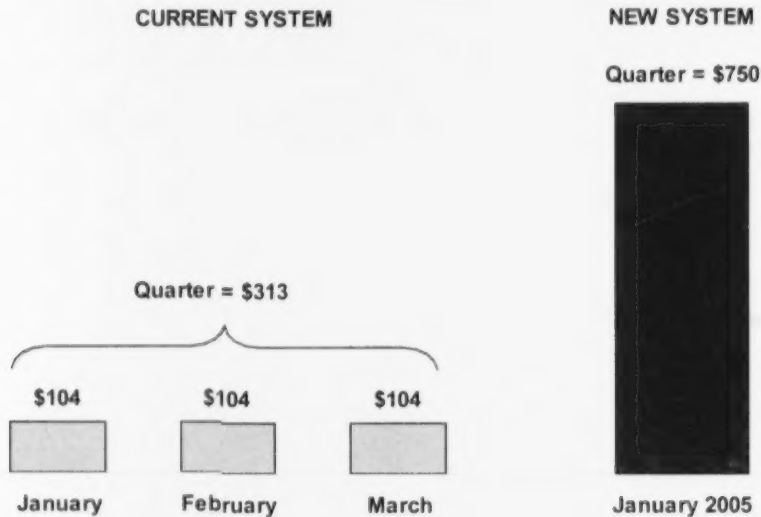
The Child Assistance measure will enter into effect in January 2005. The assistance will be **paid at the start of each quarter**. This is another advantage for families, as they will receive the amount in advance, at the beginning of the period covered.

For a couple with two children and an income of \$20 000, the quarterly payment will be \$750, or \$3 000 over the full year.

Under the current system, the same couple would receive a monthly cheque of \$104, or \$313 on a quarterly basis.

CHART 3

**CHILD ASSISTANCE
COMPARISON WITH CURRENT SYSTEM
COUPLE WITH TWO CHILDREN AND AN INCOME OF \$20 000 – 2005
(dollars)**



Note: Amounts have been rounded off.

Main details of the Child Assistance measure

Eligibility criteria

- Have children under 18 years of age.
- Have filed an income tax return.

Eligible income

- Family income for the previous taxation year for the months of July to December of a given year.
- Family income for the second-to-last taxation year for the months of January to June of a given year.

Payments

- Quarterly payments made by the Régie des rentes du Québec.
- Months of payment: January, April, July and October.
- Payments by way of direct deposit or cheque.

Recipient

- The person who is mainly responsible for and ordinarily lives with the child.

Entry into force

- January 2005.

Indexation

- Child Assistance payments will be indexed on January 1 of each year beginning in 2006, at the same rate as the parameters of the tax system.
- The minimum Child Assistance payments will be indexed in 2005 to bring them in line with the indexed value of the tax credits under the current system.

2.2 A SIMPLER SYSTEM THAT IS FAIRER FOR FAMILIES

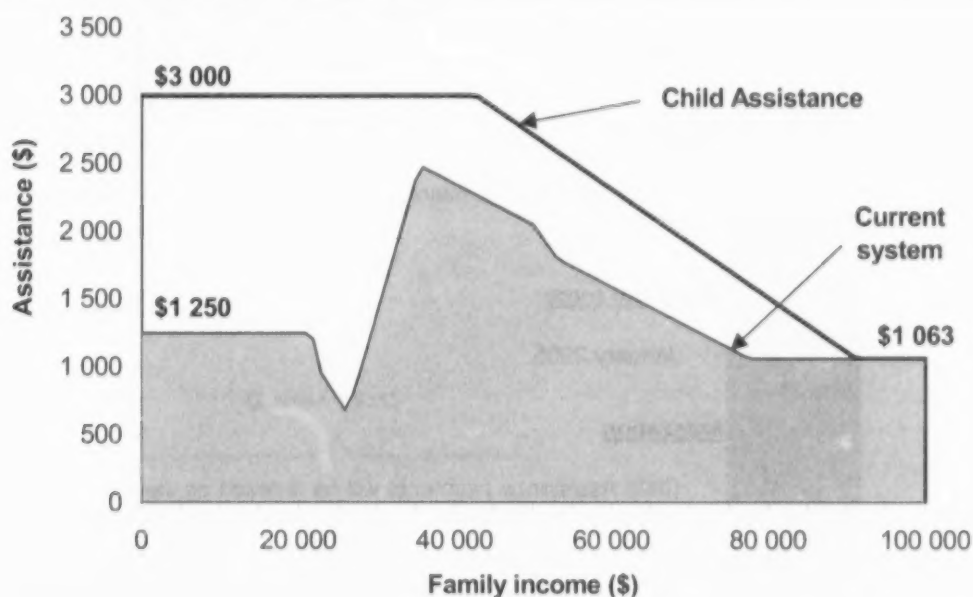
The system will be simpler because the Child Assistance measure reduces the number of existing programs from three to one. This will in turn make things simpler for families, as they will no longer have to claim the tax credits when filing their income tax returns.

In fact, rather than claiming the tax credits in tax returns, the Child Assistance will be calculated by the Régie des rentes du Québec and paid to families automatically.

Furthermore, the new system will be more equitable than the current system, notably for families with an income below \$35 000.

CHART 4

CHILD ASSISTANCE COMPARED WITH THE CURRENT SYSTEM COUPLE WITH TWO CHILDREN – 2005



3. OVER \$240 MILLION FOR LOW-INCOME WORKERS: INTRODUCTION OF A WORK PREMIUM

3.1 WORK PREMIUM

The 2004-2005 Budget Speech announces the introduction of a **Work Premium** to replace the Parental Wage Assistance (PWA) program as of January 2005

The new Work Premium has two objectives:

- to support and promote work effort;
- to induce people to give up social assistance and become part of the work force.

The premium will be defined as a refundable tax credit in the *Taxation Act* and the assistance will be applied against revenue from personal income tax in the government's financial results.

The new premium represents a \$269-million tax reduction in 2005. Taking into account the PWA program it replaces, the Work Premium will result in a net tax cut of **\$243 million** in 2005.

TABLE 4

TAX RELIEF RESULTING FROM THE WORK PREMIUM
(millions of dollars)

	2005
New system	
• Work Premium	269
Current system	
• PWA program	-26
Total	243

Characteristics of the new Work Premium

The Work Premium:

- is aimed at low- and middle-income workers.
- is more substantial for families with children.
- especially benefits young parents.
- can be paid in advance to families.
- is paid to households without children when they file their income tax return.

Amount of the tax assistance

The Work Premium will increase a household's employment income. For example, the premium will increase the employment income of a couple with children by 25%, up to a maximum premium of \$2 800 for an employment income of \$14 800.

TABLE 5

MAIN PARAMETERS OF THE WORK PREMIUM – 2005

	Person living alone	Couple without children	Single-parent family	Couple with children
Work Premium rate (% of work income supplemented ¹)	7%	7%	30%	25%
Maximum premium²	\$511	\$784	\$2 190	\$2 800

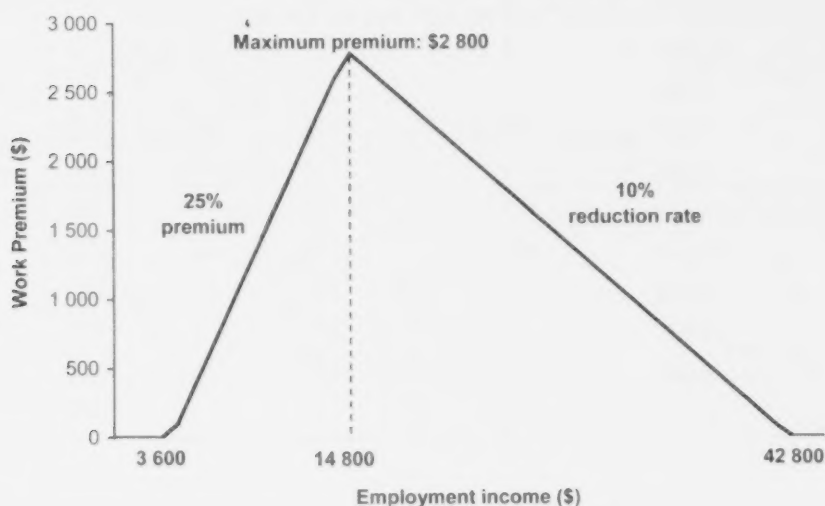
1 Employment income above the threshold of \$2 400 for a person living alone or a single-parent family and \$3 600 for a couple.

2 Amount in 2005 before indexation.

Above a household's reduction threshold, the maximum premium will be reduced at a rate of 10% of the excess income. For a couple with children, the premium will be reduced gradually up to a family income of \$42 800.⁴

CHART 5

**WORK PREMIUM BY EMPLOYMENT INCOME
COUPLE WITH CHILDREN – 2005**



- ⁴ The Work Premium is calculated as follows:
- for a couple with children and an income of \$14 800:
Premium = $(\$14\,800 - \$3\,600) \times 25\% = \$2\,800$;
 - for the same couple with an income of \$24 800:
Premium = $\$2\,800 - (\$24\,800 - \$14\,800) \times 10\% = \$1\,800$.

The following table gives examples of the Work Premium by household category.

TABLE 6

WORK PREMIUM BY EMPLOYMENT INCOME AND HOUSEHOLD TYPE – 2005
(dollars)

Employment income	Person living alone	Couple without children	Single-parent family	Couple with children
0	0	0	0	0
1 000	0	0	0	0
2 000	0	0	0	0
3 000	42	0	180	0
4 000	112	28	480	100
5 000	182	98	780	350
10 000	481	448	2 160	1 600
15 000	0	764	1 660	2 780
20 000	0	264	1 160	2 280
25 000	0	0	660	1 780
30 000	0	0	160	1 280
35 000	0	0	0	780
40 000	0	0	0	280
45 000	0	0	0	0
50 000	0	0	0	0

A premium aimed at low- and middle-income workers

Because it is simple, the new Work Premium will benefit roughly 536 000 low- and middle-income households:

- Some **200 000 low- and middle-income families will receive a Work Premium**, nearly six times more families than under the PWA program.
- Over **335 000 households without children** that do not currently receive assistance will now receive a Work Premium.

TABLE 7

**NUMBER OF HOUSEHOLDS THAT WILL RECEIVE THE WORK PREMIUM
COMPARISON WITH THE PWA PROGRAM – 2005**

Type of household	PWA program	Work Premium	Additional households
Families	29 536	200 579	171 043
Households without children	N/A	335 336	335 336
Total	29 536	535 915	506 379

Note: N/A = Not Applicable.

A measure that will benefit young workers

The new Work Premium will benefit more households consisting of young workers.⁵ Some 53% of the households concerned are headed by a person under 30 years of age, or nearly 285 000 households out of a total of 536 000 that will receive the premium.

TABLE 8

IMPACT OF THE WORK PREMIUM BY AGE GROUP – 2005

Age group	All working households		Recipient households		Tax break	
	Number	%	Number	%	Millions of dollars	%
Under 30	788 532	27	284 317	53	92	38
30 – 40	710 166	25	123 050	23	78	32
40 – 50	657 895	23	86 091	16	53	22
50 and over	719 546	25	42 457	8	19	8
Total	2 876 139	100	535 915	100	243	100

Note: Amounts have been rounded off.

Advance payment of the Work Premium

All households will receive the Work Premium simply by filing an income tax return.

Families with children who wish to receive their premium during the year may ask the ministère du Revenu for an advance payment and will receive a quarterly instalment that may correspond to half of the annual amount.

5 Based on the oldest adult in the household.

Main details of the Work Premium

Eligibility criteria

- Have an employment income.
- Not be another individual's dependant.
- File an income tax return.

Eligible revenue

- Employment income during the current taxation year.
- No property or cash assets tests.
- Reduction calculated on the basis of total household income.

Payments

- Families with children can receive a quarterly advance payment during the year where the amount of the premium they expect to receive for the year exceeds \$500.
- The amount of the payment is equal to half of the estimated Work Premium for the year. A reconciliation will be carried out by the ministère du Revenu at the end of the year.
- Other households will receive the Work Premium when they file their income tax return.

Entry into force

- January 1, 2005.

Indexation

- The family income threshold and the income threshold above which the premium is no longer granted will be adjusted on January 1 of each year, beginning in 2006.

3.2 A SYSTEM THAT PROVIDES A GREATER INCENTIVE TO WORK

The Work Premium will increase the incentive to work by:

- encouraging people to stop depending on social assistance;
- increasing a worker's net hourly earnings.

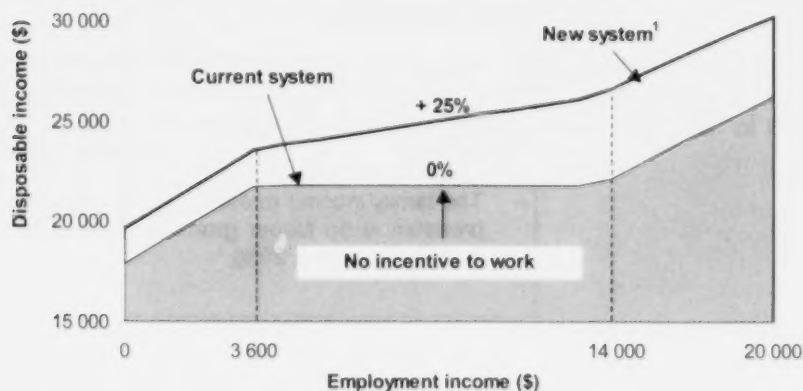
Encouraging people to stop depending on social assistance

The current system does little to reward the work effort of social-assistance recipients who want to enter the job market. In fact, above the threshold of excluded work income,⁶ namely, \$3 600 for a couple, there is no incentive for a person to increase his work effort considering that his social-assistance benefits are reduced by the amount of his employment income.

Thanks to the Work Premium, a family receiving social assistance will be able to increase its employment income by 25% in the case of a couple and by 30% in the case of a single-parent family.

CHART 6

DISPOSABLE INCOME BY EMPLOYMENT INCOME COUPLE WITH TWO CHILDREN AND ONE INCOME – 2005



1. Including the Child Assistance measure and the Work Premium.

6 Excluded employment income corresponds to the income that a social-assistance recipient is allowed to earn before his benefits are reduced. Above this amount, every dollar earned reduces the benefit.

Increasing workers' net hourly earnings

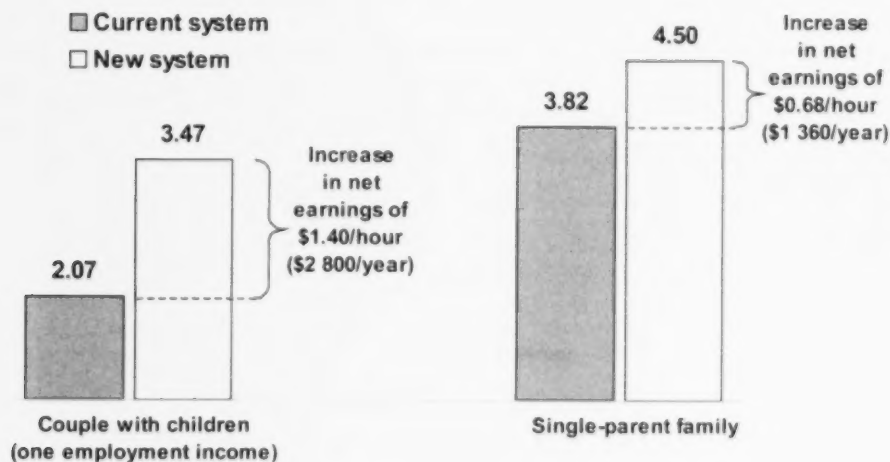
The Work Premium reaches its maximum at the income level as of which a household is no longer eligible for social assistance. The rate of increase in the Work Premium has been set so as to provide a greater incentive to work and induce people to leave social assistance behind them.

For a recipient who gives up social assistance in order to work full-time at minimum wage, the Work Premium will be equivalent to a wage increase of:

- \$1.40 an hour for a person with a spouse and children;
- \$0.68 an hour for an independent adult with children.

CHART 7

**IMPACT OF THE WORK PREMIUM ON THE NET HOURLY EARNINGS
OF A PERSON WHO GIVES UP SOCIAL ASSISTANCE TO WORK
FULL-TIME AT MINIMUM WAGE¹**
(dollars per hour of work)



Note: 2005 system before indexation.

¹ Net hourly earnings refer to the disposable income of a full-time worker earning minimum wage less the disposable income of a social-assistance recipient, divided by 2 000 hours of work.

Ultimate impact of the Work Premium on the incentive to work

The new Work Premium will substantially increase low-income households' incentive to work while enhancing their purchasing power.

In concrete terms, economic evaluations show that the Work Premium will lead to a 9% increase in the work effort of households with an income below \$15 000.

The increased work effort will translate into more disposable household income and a reduction in dependence on social assistance. Consequently, the net cost for the government per dollar of premium paid is \$0.60.

NET COST PER DOLLAR OF WORK PREMIUM PAID — ULTIMATE IMPACT

	Ultimate impact
Work Premium	\$1.00
Reduction in social-assistance benefits paid	-\$0.25
Tax on supplementary income	-\$0.15
Net cost per dollar of premium paid	\$0.60

Source: General equilibrium model of the ministère des Finances du Québec (GEMFQ).

3.3 A MORE CONSISTENT SYSTEM

Integration of the Work Premium with social assistance

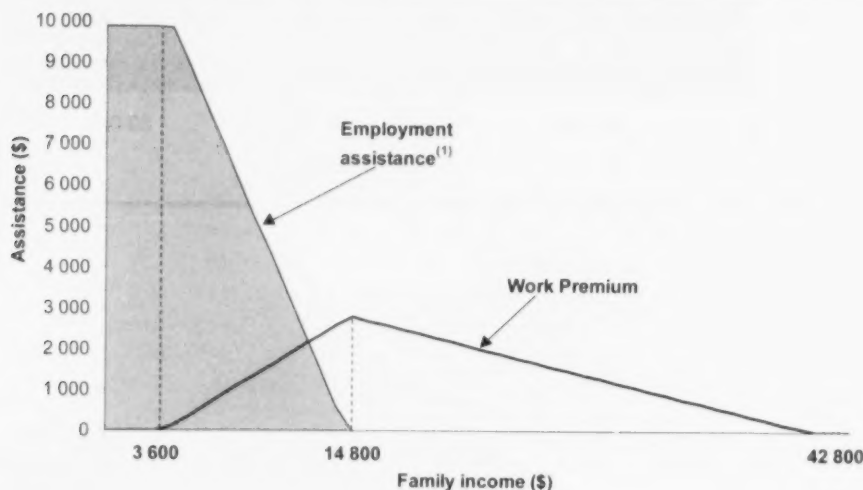
The Child Assistance and Work Premium announced in the 2004-2005 Budget Speech integrate the direct support provided to families with the social-assistance program.

Compared with the social-assistance program, the new Work Premium:

- includes the same exemption as the social-assistance program, namely, the first \$2 400 of employment income for a household consisting of a single adult and \$3 600 for a household consisting of two adults;
- reaches a maximum at the income level at which a household whose members are able to work is no longer eligible for social assistance, i.e. \$14 800 for a couple with children, thereby increasing the incentive to work and reducing dependence on social assistance.

CHART 8

INTEGRATION OF THE WORK PREMIUM WITH THE EMPLOYMENT-ASSISTANCE PROGRAM COUPLE WITH TWO CHILDREN – 2005 (dollars)



Note: 2005 system before indexation.

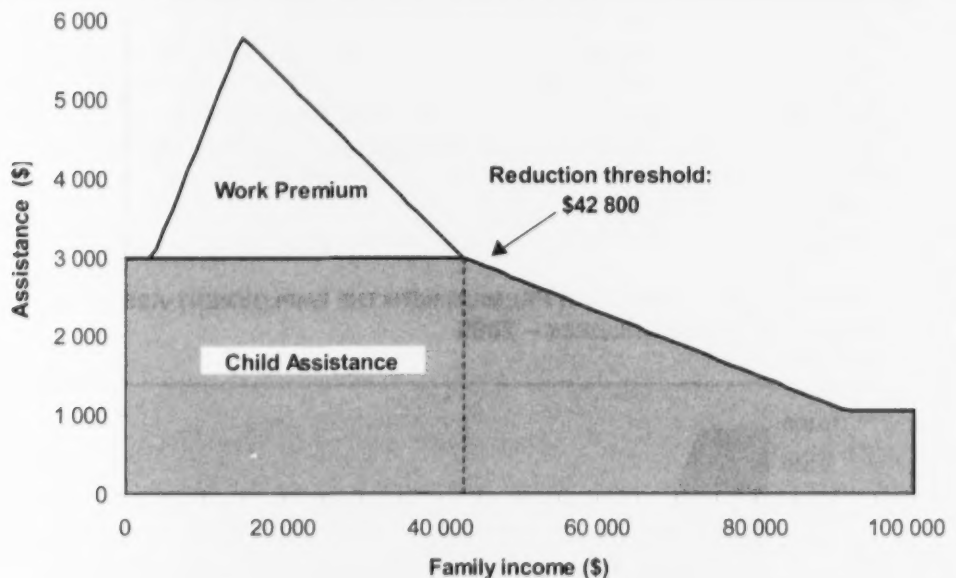
1 Social-assistance benefit paid to a couple where the adults are able to work.

Harmonization of the Work Premium and the Child Assistance measure

To increase the incentive to work, the Work Premium is gradually reduced to the income threshold at which the Child Assistance payment starts to be reduced, i.e. \$42 800 for a couple with two children.

The following chart illustrates the harmonization of the Work Premium and the Child Assistance measure.

CHART 9

**HARMONIZATION OF THE WORK PREMIUM AND CHILD ASSISTANCE MEASURE
COUPLE WITH TWO CHILDREN AND ONE INCOME – 2005**

3.4 IMPACT OF THE FIRST TWO MEASURES ON HOUSEHOLD INCOME

The Child Assistance measure and the Work Premium will considerably improve the situation of low- and middle-income households.

3.4.1 Financial gains for certain typical households

The improvements made by these measures are primarily related to disposable income; the following examples illustrate the positive impact the reform will have on the disposal income of various household types.

The following four household types are presented:

- a single-parent family with one child;
- a single-parent family with two children;
- a couple with one child;
- a couple with two children.

Single-parent family with one child

In 2005, a single-parent family with one child will see its disposable income increase by:

- \$2 935 for an income of \$10 000;
- \$2 432 for an income \$20 000;
- \$681 for an income of \$35 000.

TABLE 9

**TAX RELIEF RESULTING FROM THE CHILD ASSISTANCE MEASURE AND THE WORK PREMIUM
SINGLE-PARENT FAMILY¹ WITH ONE CHILD – 2005**
(dollars)

Employ- ment income	Current system				New system			
	Family allowance	Tax credit for children	Tax reduction for families	Total	Child Assistance	Work Premium	Total	Tax relief
0	1 925	0	0	1 925	2 700	0	2 700	775
5 000	1 925	0	0	1 925	2 700	780	3 480	1 555
10 000	1 925	0	0	1 925	2 700	2 160	4 860	2 935
15 000	1 925	337	0	2 262	2 700	1 660	4 360	2 098
20 000	291	829	308	1 428	2 700	1 160	3 860	2 432
25 000	80	829	1 108	2 017	2 700	660	3 360	1 343
30 000	80	829	1 124	2 033	2 700	160	2 860	827
35 000	80	829	974	1 883	2 564	0	2 564	681
40 000	80	829	824	1 733	2 364	0	2 364	631
45 000	80	829	674	1 583	2 164	0	2 164	581
50 000	80	829	524	1 433	1 964	0	1 964	531
75 000	0	829	0	829	964	0	964	135
85 000	0	829	0	829	829	0	829	0
100 000	0	829	0	829	829	0	829	0

Note: 2005 system before indexation.

1 Families who do not claim PWA benefits.

Single-parent family with two children

In 2005, a single-parent family with two children will see its disposable income increase by:

— \$3 310 for an income of \$10 000;

— \$2 807 for an income of \$20 000;

— \$1 091 for an income of \$35 000.

TABLE 10

**TAX RELIEF RESULTING FROM THE CHILD ASSISTANCE MEASURE AND THE WORK PREMIUM
SINGLE-PARENT FAMILY¹ WITH TWO CHILDREN – 2005**
(dollars)

Employ- ment income	Current system				New system			
	Family allowance	Tax credit for children	Tax reduction for families	Total	Child Assistance	Work Premium	Total	Tax relief
0	2 550	0	0	2 550	3 700	0	3 700	1 150
5 000	2 550	0	0	2 550	3 700	780	4 480	1 930
10 000	2 550	0	0	2 550	3 700	2 160	5 860	3 310
15 000	2 550	337	0	2 887	3 700	1 660	5 360	2 473
20 000	916	1 137	0	2 053	3 700	1 160	4 860	2 807
25 000	160	1 339	598	2 097	3 700	660	4 360	2 263
30 000	160	1 339	1 124	2 623	3 700	160	3 860	1 237
35 000	160	1 339	974	2 473	3 564	0	3 564	1 091
40 000	160	1 339	824	2 323	3 364	0	3 364	1 041
45 000	160	1 339	674	2 173	3 164	0	3 164	991
50 000	160	1 339	524	2 023	2 964	0	2 964	941
75 000	0	1 339	0	1 339	1 964	0	1 964	625
85 000	0	1 339	0	1 339	1 564	0	1 564	225
100 000	0	1 339	0	1 339	1 339	0	1 339	0

Note: 2005 system before indexation.

1 Families who do not claim PWA benefits.

Couple with one child

In 2005, a couple with one child and one employment income will see its disposable income increase by:

- \$4 155 for an income of \$15 000;
- \$3 380 for an income of \$25 000;
- \$868 for an income of \$35 000.

TABLE 11

**TAX RELIEF RESULTING FROM THE CHILD ASSISTANCE MEASURE AND THE WORK PREMIUM
COUPLE¹ WITH ONE INCOME AND ONE CHILD – 2005**
(dollars)

Employ- ment income	Current system				New system			
	Family allowance	Tax credit for children	Tax reduction for families	Total	Child Assistance	Work Premium	Total	Tax relief
0	625	0	0	625	2 000	0	2 000	1 375
5 000	625	0	0	625	2 000	350	2 350	1 725
10 000	625	0	0	625	2 000	1 600	3 600	2 975
15 000	625	0	0	625	2 000	2 780	4 780	4 155
20 000	625	0	0	625	2 000	2 280	4 280	3 655
25 000	80	320	0	400	2 000	1 780	3 780	3 380
30 000	80	553	662	1 295	2 000	1 280	3 280	1 985
35 000	80	553	1 279	1 912	2 000	780	2 780	868
40 000	80	553	1 129	1 762	2 000	280	2 280	518
45 000	80	553	979	1 612	1 912	0	1 912	300
50 000	80	553	829	1 462	1 712	0	1 712	250
75 000	0	553	79	632	712	0	712	80
85 000	0	553	0	553	553	0	553	0
100 000	0	553	0	553	553	0	553	0

Note: 2005 system before indexation.

¹ Families who do not claim PWA benefits.

Couple with two children

In 2005, a couple with two children and one employment income will see its disposable income increase by:

- \$4 530 for an income of \$15 000;
- \$4 004 for an income of \$25 000;
- \$1 405 for an income of \$35 000.

TABLE 12

**TAX RELIEF RESULTING FROM THE CHILD ASSISTANCE MEASURE AND THE WORK PREMIUM
COUPLE¹ WITH ONE INCOME AND TWO CHILDREN – 2005**
(dollars)

Employ- ment income	Current system				New system			
	Family allowance	Tax credit for children	Tax reduction for families	Total	Child Assistance	Work Premium	Total	Tax relief
0	1 250	0	0	1 250	3 000	0	3 000	1 750
5 000	1 250	0	0	1 250	3 000	350	3 350	2 100
10 000	1 250	0	0	1 250	3 000	1 600	4 600	3 350
15 000	1 250	0	0	1 250	3 000	2 780	5 780	4 530
20 000	1 250	0	0	1 250	3 000	2 280	5 280	4 030
25 000	456	320	0	776	3 000	1 780	4 780	4 004
30 000	160	1 063	152	1 375	3 000	1 280	4 280	2 905
35 000	160	1 063	1 152	2 375	3 000	780	3 780	1 405
40 000	160	1 063	1 129	2 352	3 000	280	3 280	928
45 000	160	1 063	979	2 202	2 912	0	2 912	710
50 000	160	1 063	829	2 052	2 712	0	2 712	660
75 000	0	1 063	79	1 142	1 712	0	1 712	570
85 000	0	1 063	0	1 063	1 312	0	1 312	249
100 000	0	1 063	0	1 063	1 063	0	1 063	0

Note: 2005 system before indexation.

1 Families who do not claim PWA benefits.

3.4.2 More money for families

Currently, a family with two children and an income of \$20 000 receives a monthly family allowance of \$104 from the Québec government, for a quarterly amount of \$313.

With the 2004-2005 Budget Speech, Child Assistance and the Work Premium will be paid in advance at the start of each quarter, and will amount to \$1 035, up \$723 from the current amount.

TABLE 13

MORE MONEY FOR FAMILIES

COUPLE WITH TWO CHILDREN AND AN INCOME OF \$20 000 – 2005

(dollars)

	Current system	New system			Difference
	Family allowance	Child Assistance	Work Premium	Total	
January	104	750	285	1 035	931
February	104	0	0	0	-104
March	104	0	0	0	-104
Subtotal	313	750	285	1 035	723
April	104	750	285	1 035	931
May	104	0	0	0	-104
June	104	0	0	0	-104
Subtotal	313	750	285	1 035	723
July	104	750	285	1 035	931
August	104	0	0	0	-104
September	104	0	0	0	-104
Subtotal	313	750	285	1 035	723
October	104	750	285	1 035	931
November	104	0	0	0	-104
December	104	0	0	0	-104
Subtotal	313	750	285	1 035	723
Total for 2005	1 250	3 000	1 140	4 140	2 890
Additional assistance paid when the 2005 tax return is filed	0	0	1 140	1 140	1 140
Grand total	1 250	3 000	2 280	5 280	4 030

Note: Amounts have been rounded off.

Thanks to the Child Assistance measure, a family with two children and an employment income of \$40 000 will receive \$750 for each quarter, i.e. \$3 000 per year.

This measure replaces the tax credits (\$183 per month) and the family allowance (\$13 per month). All told, this family will receive \$162 more per quarter.

TABLE 14

MORE MONEY FOR FAMILIES**COUPLE WITH TWO CHILDREN AND AN INCOME OF \$40 000 – 2005**

(dollars)

	Current system			New system			Difference
	Family allowance	Tax credit for children ¹	Total	Child Assistance	Work Premium ²	Total	
January	13	183	196	750	0	750	554
February	13	183	196	0	0	0	-196
March	13	183	196	0	0	0	-196
Subtotal	40	548	588	750	0	750	162
April	13	183	196	750	0	750	554
May	13	183	196	0	0	0	-196
June	13	183	196	0	0	0	-196
Subtotal	40	548	588	750	0	750	162
July	13	183	196	750	0	750	554
August	13	183	196	0	0	0	-196
September	13	183	196	0	0	0	-196
Subtotal	40	548	588	750	0	750	162
October	13	183	196	750	0	750	554
November	13	183	196	0	0	0	-196
December	13	183	196	0	0	0	-196
Subtotal	40	548	588	750	0	750	162
Total for 2005	160	2 192	2 352	3 000	0	3 000	648
Additional assistance paid when the 2005 tax return is filed	0	0	0	0	280	280	280
Grand total	160	2 192	2 352	3 000	280	3 280	928

Note: Amounts have been rounded off.

1 Applies to a family claiming the tax credit for children and the tax credit for families as a reduction of their source deductions rather than at the end of the year.

2 The Work Premium is not paid in advance when the total amount for the year is less than \$500.

For a couple earning \$80 000, the net gain for a quarter will amount to \$112, or \$449 more per year.

TABLE 15

MORE MONEY FOR FAMILIES
COUPLE WITH TWO CHILDREN AND AN INCOME OF \$80 000 – 2005
 (dollars)

	Current system	New system	
	Tax credit for children ¹	Child Assistance	Difference
January	89	378	289
February	89	0	-89
March	89	0	-89
Subtotal	266	378	112
April	89	378	289
May	89	0	-89
June	89	0	-89
Subtotal	266	378	112
July	89	378	289
August	89	0	-89
September	89	0	-89
Subtotal	266	378	112
October	89	378	289
November	89	0	-89
December	89	0	-89
Subtotal	266	378	112
Total	1 063	1 512	449

Note: Amounts have been rounded off.

1 Applies to a family claiming the tax credit for children as a reduction of their source deductions rather than at the end of the year.

3.4.3 Support for the fight against poverty

The measures in the 2004-2005 Budget Speech will help strengthen the fight against poverty.

The Child Assistance measure and the Work Premium will entail a substantial increase in the disposable income of social-assistance recipients and low-income workers.

Social-assistance recipients

Taking into account the total assistance granted for 2005, the disposable income of social-assistance recipients with no income and who are able to work will be, for that year:

- \$16 753 for a single-parent family with two children (an increase of \$1 150);
- \$19 610 for a couple with two children (an increase of \$1 750).

Full-time workers earning minimum wage

After taking into account the increase in the hourly minimum wage from its current rate of \$7.30 to \$7.60 on May 1, 2005, the disposable income of a full-time worker earning minimum wage in 2005 will be:

- \$25 948 for a single-parent family with two children (an increase of \$2 980);
- \$26 790 for a couple with two children (an increase of \$5 030).

TABLE 16

IMPACT OF THE MEASURES ON THE DISPOSABLE INCOME OF CERTAIN TYPICAL LOW-INCOME HOUSEHOLDS – 2005

(dollars)

	Impact of the 2004-2005 Budget					Total impact	New disposable income
	Current disposable income	Work Premium	Child Assistance ¹	Subtotal	Increase in minimum wage ²		
HOUSEHOLDS ABLE TO WORK							
<i>No income</i>							
Single-parent family, 1 child	12 118	0	775	775	0	775	12 893
Single-parent family, 2 children	15 603	0	1 150	1 150	0	1 150	16 753
Couple, 1 child	14 375	0	1 375	1 375	0	1 375	15 750
Couple, 2 children	17 860	0	1 750	1 750	0	1 750	19 610
<i>Eligibility limits for employment assistance</i>							
Person living alone	9 643	505	0	505	0	505	10 148
Couple without children	14 574	773	0	773	0	773	15 347
Single-parent family, 1 child ³	14 818	2 156	775	2 931	0	2 931	17 749
Single-parent family, 2 children ³	18 303	2 156	1 150	3 306	0	3 306	21 609
Couple, 1 child	18 275	2 760	1 375	4 135	0	4 135	22 410
Couple, 2 children	21 760	2 760	1 750	4 510	0	4 510	26 270
<i>Full-time work at minimum wage⁴</i>							
Person living alone	13 335	21	0	21	367	388	13 723
Couple without children	14 574	770	0	770	494	1 264	15 838
Single-parent family, 1 child ³	19 483	1 700	502	2 202	403	2 605	22 088
Single-parent family, 2 children ³	22 968	1 700	877	2 577	403	2 980	25 948
Couple, 1 child ³	18 275	2 750	1 375	4 125	530	4 655	22 930
Couple, 2 children ³	21 760	2 750	1 750	4 500	530	5 030	26 790

¹ Impact of the introduction of the Child Assistance measure.

² Corresponds to the projected increase from the current hourly rate of \$7.30 to \$7.60 on May 1, 2005.

³ Families who do not claim PWA benefits.

⁴ Based on the hourly rate of \$7.30, applicable for 2 000 hours of work.

4. ESTABLISHMENT OF A SINGLE TAX SYSTEM: A REDUCTION OF \$219 MILLION

4.1 A SINGLE PERSONAL INCOME TAX SYSTEM

The 2004-2005 Budget Speech introduces a single tax system, which will replace the general and simplified systems as of the 2005 taxation year.

This simplification measure is accompanied by an income tax reduction that will benefit more than 2.5 million households. The reduction will mean an average tax cut of \$87 per taxpayer.

The full-year financial impact of this measure will be **\$219 million**.

TABLE 17

**FINANCIAL IMPACT OF THE SINGLE TAX SYSTEM ON THE GOVERNMENT'S FINANCIAL
FRAMEWORK**
(millions of dollars)

	Fiscal year			Total over three years
	2004-2005	2005-2006	2006-2007	
Single tax system	-	-40	-219	-259

The single tax system

The single tax system will reduce personal income tax by:

- granting a complementary amount⁷ of \$2 925, i.e. an amount equal to the current flat amount, to all taxpayers;
- allowing all taxpayers to claim the deductions and non-refundable tax credits that are currently offered only under the general system.

Not only are taxes reduced, but the tax system becomes simpler. Currently, taxpayers must decide which is more advantageous: the flat amount of \$2 925 offered under the simplified system, or the approximately 30 deductions and non-refundable tax credits offered under the general system.

Thanks to the implementation of the single tax system, taxpayers are no longer obliged to choose between the two systems; they can claim both the complementary amount of \$2 925 and their deductions and non-refundable tax credits. Some 95% of taxpayers will be better off.

The table below illustrates the tax reduction enjoyed by a taxpayer claiming tax credits for union dues and for tuition fees.

7 In cases where the total contributions to the Québec Pension Plan, Employment Insurance and the Health Services Fund are higher than the complementary amount, taxpayers may claim the full value of these amounts.

ESTABLISHMENT OF A SINGLE TAX SYSTEM: A REDUCTION OF
\$219 MILLION

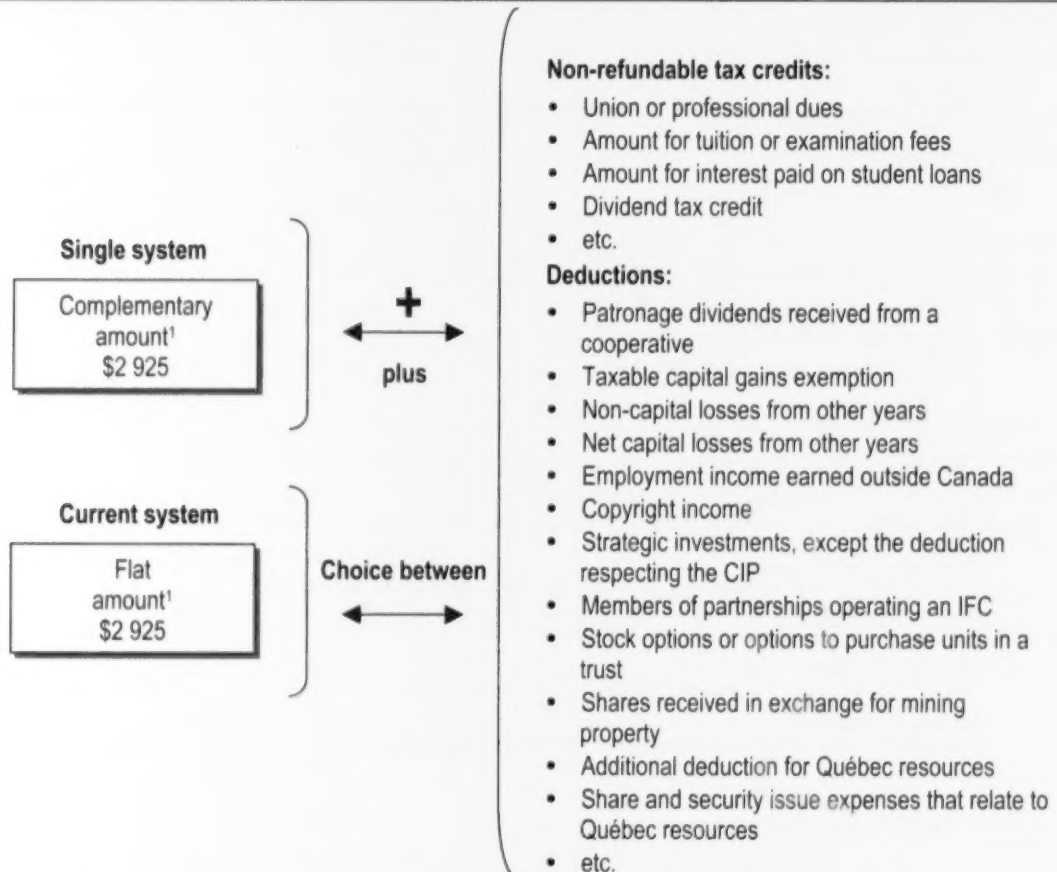
TABLE 18

EXAMPLE OF A TAX REDUCTION RESULTING FROM THE ESTABLISHMENT OF THE SINGLE
TAX SYSTEM

PERSON LIVING ALONE WITH A SALARY OF \$25 000 – 2005
(dollars)

	Options under current system		Single system	Tax reduction
	General	Simplified		
Amount of recognized essential needs	6 275	6 275	6 275	
Flat amount (current system)	–	2 925	–	
Complementary amount (single system)	–	–	2 925	
QPP contributions	1 064	–	–	
EI premiums	495	–	–	
Union dues	300	–	300	
Amount for tuition fees	500	–	500	
Amount of credits	8 634	9 200	10 000	
Conversion rate of credits	–	20%	20%	
Value of credits	–	1 840	2 000	160

TABLE 19

SINGLE TAX SYSTEM: TAXPAYERS NO LONGER HAVE TO CHOOSE

Note: 2005 system before indexation.

- ¹ The flat amount and the complementary amount replace the contributions to the Québec Pension Plan, Employment Insurance premiums and the contribution to the Health Services Fund.

4.2 IMPACT ON HOUSEHOLDS

The establishment of a single tax system will result in an average tax cut of \$87 for over 2.5 million households, close to half of which have a total income of less than \$50 000.

TABLE 20

**TAX REDUCTION RESULTING FROM THE ESTABLISHMENT OF A SINGLE TAX
SYSTEM, BY HOUSEHOLD INCOME BRACKET – 2005**

Household income	Taxable households		Tax reduction	
	Number	%	Millions of dollars	\$ per household
\$15 000 or less	92 981	3.6	5	53
\$15 000 to \$25 000	307 996	12.2	17	55
\$25 000 to \$50 000	810 165	32.0	64	79
\$50 000 to \$75 000	582 418	23.0	51	88
\$75 000 to \$100 000	345 415	13.7	35	103
Over \$100 000	391 459	15.5	47	119
Total	2 530 434	100.0	219	87

5. OVERALL IMPACT ON HOUSEHOLDS' DISPOSABLE INCOME

The measures announced in the 2004-2005 Budget Speech will result in substantial financial gains for households.

Gains by income bracket

In 2005, financial gains will amount to over a billion dollars. Some 3.1 million households will get a tax break.

These increases in disposable income will primarily benefit low- and middle-income families.

Close to 1 million Québec families will enjoy tax relief in 2005. They will receive a total of \$775 million, which represents 77% of the total tax cuts announced.

TABLE 21

TAX REDUCTION BY HOUSEHOLD INCOME BRACKET – 2005

Household income	Families			Households without children			Total households		
	Number ('000)	Millions of dollars	\$ per household	Number ('000)	Millions of dollars	\$ per household	Number ('000)	Millions of dollars	\$ per household
\$15 000 or less	136	164	1 204	336	80	238	472	244	517
\$15 000 to \$25 000	78	167	2 139	328	22	66	407	189	465
\$25 000 to \$50 000	217	236	1 088	680	53	78	897	289	323
\$50 000 to \$75 000	206	107	519	382	33	87	588	140	239
\$75 000 to \$100 000	151	66	435	195	20	102	346	86	248
Over \$100 000	191	35	182	202	25	126	392	60	153
Total	980	775	791	2 122	234	110	3 102	1 009	325

Note: Amounts have been rounded off.

The disposable income of families with children will increase by an average of \$791 per year and by as much as \$2 139 for families earning between \$15 000 and \$25 000. Households without children which benefit from these measures will enjoy an annual increase of \$110 in their disposable income.

TABLE 22

AVERAGE TAX REDUCTION BY TAX MEASURE AND HOUSEHOLD TYPE – 2005
(dollars per household)

Household income	Number of households	Average tax reduction			
		Child Assistance	Work Premium	Single tax system	Overall
Families					
\$15 000 or less	136 417	1 081	526	183	1 204
\$15 000 to \$25 000	78 303	1 201	1 149	48	2 139
\$25 000 to \$50 000	217 008	698	660	60	1 088
\$50 000 to \$75 000	206 195	441	–	79	519
\$75 000 to \$100 000	151 403	399	–	96	435
Over \$100 000	190 691	123	–	104	182
Total: families	980 017	613	786	86	791
Households without children					
\$15 000 or less	335 741	–	237	53	238
\$15 000 to \$25 000	328 402	–	269	55	66
\$25 000 to \$50 000	679 658	–	–	83	78
\$50 000 to \$75 000	381 810	–	–	92	87
\$75 000 to \$100 000	194 839	–	–	108	102
Over \$100 000	201 663	–	–	134	126
Total: households without children	2 122 113	–	239	87	110
Overall households					
\$15 000 or less	472 158	1 081	264	53	517
\$15 000 to \$25 000	406 705	1 201	931	55	465
\$25 000 to \$50 000	896 666	698	660	79	323
\$50 000 to \$75 000	588 005	441	–	88	239
\$75 000 to \$100 000	346 242	399	–	103	248
Over \$100 000	392 354	123	–	119	153
Total: overall	3 102 130	613	448	87	325

CONCLUSION

With this major reform of the support provided to families and workers and the simplification of the tax system, the government has taken an important step in easing the income tax burden of individuals, thereby availing itself of the opportunity to introduce a system that is fairer, simpler and provides more incentive to work.

In accordance with government priorities, the new system will mean a substantial increase in the disposable income of low- and middle-income families and workers.

The government intends to pursue its efforts to reduce taxes and simplify taxation in order to provide Quebecers with a modern, competitive system that is tailored to their needs.

APPENDIX 1. DETAILED IMPACT OF THE TAX REDUCTION ON THE FINANCIAL FRAMEWORK

TABLE A.1

**DETAILED IMPACT OF THE TAX REDUCTION ON THE GOVERNMENT'S FINANCIAL
FRAMEWORK**
(millions of dollars)

	2004-2005	2005-2006	2006-2007	Total over three years
Support for families				
• Child Assistance measure	-495	-1 976	-1 976	-4 447
• Tax credit for an adult child who is a student	-4	-32	-58	-94
• Support for handicapped children	-10	-41	-41	-92
• Family allowance	119	474	475	1 068
• Allowance for handicapped children	10	41	41	92
• Non-refundable tax credit for children	50	383	692	1 125
• Tax reduction for families	24	176	320	520
Subtotal	-306	-975	-547	-1 828
Support for workers				
• Work Premium	-20	-128	-269	-417
• PWA program	3	13	26	42
Subtotal	-17	-115	-243	-375
Single tax system	-	-40	-219	-259
Financial impact	-323	-1 130	-1 009	-2 462

APPENDIX 2. MAIN PARAMETERS OF FINANCIAL SUPPORT FOR FAMILIES

TABLE A.2

FINANCIAL SUPPORT FOR FAMILIES: PARAMETERS OF THE NEW SYSTEM COMPARED WITH THOSE OF THE CURRENT SYSTEM – 2005
(dollars per year)

	Current system	New system
FAMILY ALLOWANCE/CHILD ASSISTANCE		
Maximum assistance		
Basic amount		
– 1st child	625	2 000
– 2nd child	625	1 000
– 3rd child	625	1 000
– 4th child and subsequent children	625	1 500
Additional amount for single-parent family	1 300	700
Reduction		
– Single-parent family	35% at 15 332 and 25% at 21 214	–
– Couple	25% at 21 825	–
Minimum assistance		
Basic amount		
– 1st child	80	–
– 2nd child	80	–
– 3rd child	975	–
– 4th child and subsequent children	975	–
Additional amount for single-parent family	0	–
Other reductions		
– Single-parent family	5% à 50 000	4% à 31 600
– Couple	5% à 50 000	4% à 42 800
Assistance after deductions¹		
Basic amount		
– 1st child	0	553
– 2nd child	0	510
– 3rd child	0	510
– 4th child and subsequent children	0	510
Additional amount for single-parent family	0	276
TAX CREDIT RESPECTING DEPENDENT CHILDREN¹		
Value of tax credit		
– Amount of \$2 765 for 1st child	553	replaced
– Amount of \$2 550 for 2nd child and subsequent children	510	replaced
Additional value for the 1st child of a single-parent family		
– Amount of \$1 380	276	replaced
TAX REDUCTION FOR FAMILIES		
Maximum amount		
– Couple	1 500	replaced
– Single-parent family	1 195	replaced
Reduction rate above an income threshold of \$27 635¹		
	3%	replaced

¹ Before indexation in 2005.

APPENDIX 3. PARAMETERS OF THE WORK PREMIUM

TABLE A.3

PARAMETERS OF THE WORK PREMIUM – 2005

	Person living alone	Couple without children	Single-parent family	Couple with children
Employment income excluded	\$2 400	\$3 600	\$2 400	\$3 600
Work premium rate	7%	7%	30%	25%
Maximum premium ¹	\$511	\$784	\$2 190	\$2 800
Reduction threshold ²	\$9 700	\$14 800	\$9 700	\$14 800
Reduction rate	10%	10%	10%	10%
Eligibility limit ³	\$14 810	\$22 640	\$31 600	\$42 800

Note: 2005 system before indexation.

1 The maximum premium will be adjusted automatically upon variation in the reduction thresholds.

2 Total family income. This threshold will be adjusted annually as of January 1, 2006.

3 Level of income as of which a household is no longer eligible for the Work Premium.

APPENDIX 4. DISPOSABLE INCOME UNDER THE NEW SYSTEM

TABLE A.4

DISPOSABLE FAMILY INCOME UNDER THE NEW SYSTEM COUPLE WITH ONE INCOME AND TWO CHILDREN¹ - 2005 (dollars)

Employ- ment income	Gouvernement du Québec					Government of Canada				Contributions		Disposable income	
	Social assistance	Child Assistance	Work Premium	QST credit	Québec income tax	Québec subtotal	CCTB ²	GST credit	Federal income tax	Federal subtotal	QPP ³		EI ¹
0	9 900	3 000	0	326	0	13 226	5 700	684	0	6 384	0	0	19 610
5 000	8 973	3 000	350	326	0	12 649	5 700	684	0	- 6 384	-74	-99	23 860
10 000	4 320	3 000	1 600	326	0	9 246	5 700	684	0	6 384	-322	-198	25 110
15 000	0	3 000	2 780	326	0	6 106	5 700	684	0	6 384	-569	-297	26 624
20 000	0	3 000	2 280	326	0	5 606	5 700	684	-531	5 853	-817	-396	30 247
25 000	0	3 000	1 780	326	-320	4 786	5 120	684	-1 152	4 652	-1 064	-495	32 879
30 000	0	3 000	1 280	255	-1 215	3 320	4 070	640	-1 774	2 936	-1 312	-594	34 351
40 000	0	3 000	280	0	-3 215	65	2 694	140	-3 271	-437	-1 807	-772	37 050
50 000	0	2 712	0	0	-5 215	-2 503	2 294	0	-5 104	-2 810	-1 832	-772	42 083
60 000	0	2 312	0	0	-7 403	-5 091	1 894	0	-6 941	-5 047	-1 832	-772	47 258
70 000	0	1 912	0	0	-9 803	-7 891	1 494	0	-8 778	-7 284	-1 832	-772	52 221
80 000	0	1 512	0	0	-12 203	-10 691	1 094	0	-10 949	-9 855	-1 832	-772	56 850
90 000	0	1 112	0	0	-14 603	-13 491	694	0	-13 120	-12 426	-1 832	-772	61 479
100 000	0	1 063	0	0	-17 003	-15 940	294	0	-15 291	-14 997	-1 832	-772	66 459

Note: 2005 system before indexation.

1 No property tax refund or housing allowance.

2 Canada Child Tax Benefit.

3 Québec Pension Plan contributions.

4 Employment Insurance premiums.

APPENDIX 5. IMPLICIT MARGINAL TAXATION

When the employment income of households receiving transfer payments or certain tax benefits goes up, the result is a reduction in the benefits received. At the same time, they must pay higher amounts both in taxes and contributions to these programs. The combined impact is referred to as "*implicit marginal taxation*".

For example, under the current system, an individual with a spouse and two children who gives up social assistance in order to work full-time at minimum wage must also relinquish 72% of his employment earnings (100% - \$4 234/\$15 000).

With the Work Premium, the same person in the same circumstances will see his implicit marginal tax rate reduced from 72% to 53%.

TABLE A.5

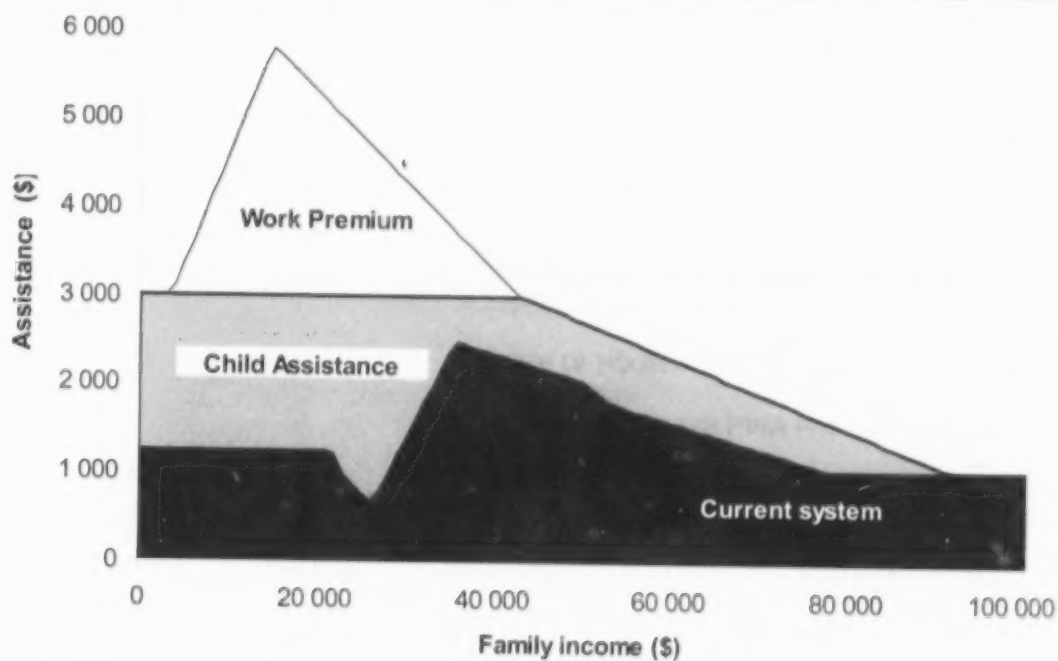
CHANGE IN THE DISPOSABLE INCOME OF A FAMILY WHO GIVES UP SOCIAL ASSISTANCE TO WORK - 2005
(dollars)

	Couple with children			Single-parent family		
	Current system	New system	Change	Current system	New system	Change
Employment income	+15 000	+15 000	-	+10 000	+10 000	-
Social assistance	-9 900	-9 900	-	-6 396	-6 396	-
Work Premium	-	+2 780	+2 780	-	+2 160	+2 160
Contributions to the Québec Pension Plan	-569	-569	-	-322	-322	-
Employment Insurance premiums	-297	-297	-	-198	-198	-
Total	+4 234	+7 014	+2 780	+3 084	+5 244	+2 160
Implicit marginal tax rates	71.8%	53.2%	-18.6%	69.2%	47.6%	-21.6%

APPENDIX 6. FINANCIAL SUPPORT MEASURES FOR FAMILIES

CHART A.1

NEW FAMILY SUPPORT MEASURES COMPARED WITH THE CURRENT SYSTEM
COUPLE WITH ONE INCOME AND TWO CHILDREN – 2005



Note: Households that do not claim PWA benefits.

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